

# INDUSTRY CIRCULAR

OFFICE OF THE COMMISSIONER OF INTERNAL REVENUE  
ALCOHOL AND TOBACCO TAX DIVISION



WASHINGTON 25, D. C.

Industry Circular No. 60-22

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## NEW REGULATIONS COVERING DISTRIBUTION AND USE OF DENATURED ALCOHOL AND SPECIALLY DENATURED RUM

Dealers in and users of  
specially denatured alcohol  
or specially denatured rum, and  
others concerned:

Purpose. The purpose of this industry circular is to acquaint you with proposed new regulations relating to the distribution and use of specially denatured alcohol and specially denatured rum.

Background. You will recall that, pursuant to Public Law 85-859, you were required to file new applications for an industrial use permit and a withdrawal permit (or permits) in order to continue your business as a dealer or user on and after July 1, 1959. The regulations containing such requirements are in Subpart M of 26 CFR Part 170. Except as provided in that subpart, you were to continue operating under applicable provisions of 26 CFR Part 182, Industrial Alcohol, or 26 CFR Part 216, Denaturation of Rum, until complete new regulations could be issued. Such new regulations, designated as 26 CFR Part 211, are now in process and, it is anticipated, will become effective as of July 1, 1960. The major changes in procedures and requirements are highlighted in the paragraphs which follow.

Qualification. It will not be necessary that you file a new application for an industrial use permit in order to continue present operations when the new regulations become effective. Unless a permit has been issued to you since July 1, 1959, the assistant regional commissioner (alcohol and tobacco tax) may issue you a permit sometime between September 15 and October 31, 1960, to become effective November 1, pursuant to the application which you filed before July 1, 1959. This permit will then remain in effect unless suspended, or until revoked, surrendered, or otherwise terminated. Those who have already received an industrial use permit pursuant to an application filed under Part 170 will continue to operate under that permit; this, too, will remain in effect. Under Part 211, it will not be necessary for a permittee who handles both specially denatured alcohol and specially denatured rum to have a separate permit for each. If you have already received

separate permits under Part 170 for specially denatured alcohol and specially denatured rum, your assistant regional commissioner will, without action on your part, recall those permits and give you a single permit. Your permit should be posted, available for inspection, on your premises. All industrial use permit requirements will be found in Subpart D of the new regulations.

Changes after original qualification. Changes requiring the filing of a new application or notice are basically the same as under Part 182. However, a change in the name of a user will no longer require the filing of new Forms 1479-A covering formulas used by the permittee or the filing of a list of such formulas. Where there is any change in the information contained in the application, Form 1474 or 1479, you must file with your assistant regional commissioner, within 10 days of the change, a written notice, in duplicate, giving the details of the change. Another application is necessary where there is a change in name, trade name, or location of the permittee or a change that otherwise affects the terms of the permit. As at present, where there is a change in proprietorship, (sale or transfer of the business, reorganization, the taking in of a new partner, etc.) the new proprietor must qualify in the same manner as any other new permittee, except that he may adopt the formulas of his predecessor. For further details as to changes after original qualification, see sections 211.55 to 211.63, inclusive.

Bonds. The use of Forms 582A and 653A for bonds covering specially denatured rum has been eliminated and Form 1475 or 1480, as the case may be, will be used instead. Therefore, if you have filed a bond on Form 582A or 653A, your assistant regional commissioner will, if he has not already done so, ask you to file a new bond on the proper form. One bond will cover both specially denatured rum and specially denatured alcohol if you handle both. If you have received your approved bond on Form 1475 or 1480 since July 1, 1959, no new bond will be required (unless or until there are changes which would require the filing of a new bond). Those who filed bond on Form 1475 or 1480 and have not received an approved copy thereof will receive it with the industrial use permit. (See section 211.78 as to notice by surety of termination of bond and section 211.79 as to termination of rights and liability under a bond.)

Formulas and processes. (a) List of current formulas and processes. You must submit a list of all approved Forms 1479-A which you intend to use on and after July 1, 1960. Submit the list as soon after July 1, 1960, as possible, in quadruplicate, directly to the office of your

assistant regional commissioner. Any approved Forms 1479-A not shown on the list will be considered discontinued and, if you later desire to use the formula or process, it will be necessary that you submit a new Form 1479-A for approval in the same manner as for any new formula or process. Where a formula of specially denatured alcohol may be made with alternate denaturants, e.g., Formula 38-B, it is important that you show in the list the alternate denaturant authorized for use on the approved Form 1479-A. Please do not list formulas which will not be used.

(b) New formulas and processes. Form 1479-A has been revised (July 1960) and the revised form should be used for new formulas or processes submitted on and after July 1, 1960. Copies of revised Form 1479-A may be obtained from your assistant regional commissioner. It is particularly important that, where a formula for specially denatured alcohol may be made with alternate denaturants, you show on the Form 1479-A the specific denaturant to be used.

(c) Labels and advertising. Samples of labels and advertising matter need not be submitted, except on request, for any article which does not contain specially denatured alcohol. Requirements as to articles containing specially denatured alcohol will be substantially the same as now. (See section 211.106 and the instructions on Form 1479-A.)

Withdrawal permits. (a) Issuance. If you have received a withdrawal permit on or after July 1, 1959, such permit will expire on October 31, 1960. You should file a renewal application on Form 1477 (dealer) or Form 1485 (user). Bonded dealers should file applications not later than July 31st and users should file applications on or before July 10th together with their June report on Form 1482. Those who filed renewal applications for withdrawal permits before July 1, 1959, and have not been issued new withdrawal permits will receive them at the same time as the industrial use permit. These withdrawal permits will be effective from November 1, 1960, through October 31, 1961. In either case, you may continue to withdraw under your existing permit until November 1, 1960. Withdrawal permits must be renewed each year and will always carry an October 31 expiration date. The renewal application for users should always accompany the report on Form 1482 due on or before the 10th of July. The regulations will no longer require that expired withdrawal permits be surrendered for cancellation. However, where the industrial use permit is automatically terminated, revoked, or voluntarily surrendered, the withdrawal permit should be returned immediately to the assistant regional commissioner.

(b) Monthly allowance. Under withdrawal permits to be effective November 1, users will be permitted to withdraw as much as one-sixth (rather than one-twelfth) of their annual allowance for each formula, and, if one-sixth of the annual allowance is less than one drum (55 gallons), they may be permitted to withdraw a quantity not to exceed one drum during any one month. Otherwise, if a user desires to withdraw more than one-sixth of his annual allowance during any one month, he must justify his needs for the additional quantity. The penal sum of the bond must, of course, be sufficient to cover all specially denatured spirits on hand, in transit, and unaccounted for at any one time.

Use. (a) Proprietary solvents. Proprietary solvents may now be shipped in bulk conveyances by a manufacturer to himself at another location without a written notice. Such provisions have been extended to distributors. Also, a distributor, as well as a manufacturer, will be permitted to make bulk shipments to other persons pursuant to a written notice to the assistant regional commissioner. This notice may be on a continuing basis or for a specific quantity. A notice, in writing, will also be required of a distributor who purchases or sells in quantities of more than 3,000 (presently 550) gallons per month or if he sells more than 275 (presently 55) gallons to a customer at any one time. Under the new regulations, proprietary solvents may be packaged by distributors and users as well as by manufacturers. For requirements as to the filling, marking, and numbering of packages, including the sizes of packages which may be used, see sections 211.176 through 211.179.

(b) Special industrial solvents. Requirements regarding the manufacture, distribution, and sale of special industrial solvents have been transferred from Part 212 to Part 211. Provision has been made for the repackaging of special industrial solvents in containers of not more than five gallons for sample purposes. (See sections 211.180 to 211.185, inclusive.)

(c) Articles such as bay rum, lotions, shampoos, etc., containing specially denatured alcohol. A new form, designated as Form 2622, has been prescribed as an application to reprocess, bottle, or repackage bay rum, hair lotions, shampoos, deodorant sprays, skin lotions, perfumes, toilet waters, and similar articles which contain specially denatured alcohol. Note that the form is not required if the article was made with, but does not contain, specially denatured alcohol. This form will also be used in any case where a reproprocessor, bottler, repackager, or commercial user desires to receive such

products in containers exceeding one gallon in capacity. A supply of the form may be obtained in the usual manner from your assistant regional commissioner. The requirements relating to labeling articles such as bay rum, lotions, perfumes, etc. have been liberalized, both as to the information to be shown on the labels and the articles to which the label provisions will apply. (For details, see sections 211.195 to 211.197, inclusive.)

Recovery. Provisions for recovery of denatured spirits or articles will remain much the same. Form 1473 (in lieu of Form 1484) will be used to cover shipments of recovered spirits to a distilled spirits plant for restoration or redensation. Revised Form 1483, the application for redensation, will be used in the same manner as prior revisions. Copies of both of these forms may be obtained from your assistant regional commissioner.

Samples of specially denatured spirits. Samples of a particular formula of specially denatured alcohol or rum may be obtained by permittees and prospective permittees, without a sample permit, if the sample does not exceed 1 quart. Approval on Form 1512 must be obtained for larger samples, except that a user may withdraw samples of not more than 5 gallons during a calendar month from his own stock. Form 1512 also has been revised, but not extensively, and may be obtained from your assistant regional commissioner.

Losses. Provisions for losses, and claims for losses, are basically unchanged. However, the minimum quantity for which claim is routinely required is being raised from 1 gallon to 5 gallons for losses in transit and is being set at 5 gallons for losses on the permittee's premises. A new form (Form 2635) is being provided for use in filing claims. Your assistant regional commissioner will furnish you a supply of this form.

Destruction, disposition, return, etc. Subpart N of the new regulations contains provisions for the destruction, return, reconsignment, and other disposition of specially denatured spirits, the conditions under which such disposition can be made, and the procedure to be followed. Where specially denatured spirits are to be destroyed or returned, an application must first be filed with, and approved by, your assistant regional commissioner. Where they are to be reconsigned, your assistant regional commissioner is to be notified. Where specially denatured spirits are to be returned, the person to whom they are to be sent must first agree to the return, and consent of surety (either for a specific lot or as a blanket consent) must be filed in order that his bond will cover the transaction.

Form 1473. On shipment of specially denatured spirits, a notice of shipment must be prepared on Form 1473, revised July 1960. In addition to current uses, the revised form will be used to cover shipment of recovered denatured spirits to a distilled spirits plant and shipment of specially denatured spirits to the United States or Governmental agency. For details of the preparation and disposition of the revised form, a supply of which will be furnished to bonded dealers, see the instruction sheet attached to each pad of forms.

Records. (a) Dealers. No form for the keeping of records is prescribed for dealers. However, such records must reflect the details of all specially denatured spirits received, lost, destroyed, and disposed of. They must contain all information necessary to enable ready identification and proper marking, branding, and labeling, and for the preparation of the monthly report on Form 1478. (See section 211.264.) Bonded dealers who package specially denatured spirits and persons who package completely denatured alcohol are required to keep a record on Form 1467 of packages filled. A supply of Forms 1467 may be obtained, on request, from the assistant regional commissioner.

(b) Users manufacturing bay rum, lotions, perfumes, etc., containing specially denatured alcohol. Records covering the manufacture of articles, such as bay rum, hair lotions, skin lotions, shampoos, perfumes, and toilet water, which contain specially denatured alcohol, will be kept on newly revised Form 133. Details of manufacture will be shown on a separate batch record which is to be serially numbered, which serial number will be shown on the Form 133. The bottling and sales record of such articles will be maintained on newly revised Form 134. These forms must be obtained by you from a commercial printer. Therefore, we suggest that you get in touch with a commercial printer in order that you can obtain a supply of the forms for use on and after July 1. Samples of Forms 133 and 134 are available in the office of your assistant regional commissioner. (For details of these record requirements, see section 211.265(a).)

(c) Other users. Records covering articles other than those specified in paragraph (b) above must reflect the details of specially denatured spirits received, used, and recovered, and of articles recovered. No particular format is prescribed for these records. (For details, see section 211.265(b)).

(d) Reprocessors, repackagers, and bottlers. Persons reprocessing articles such as bay rum, hair lotions, skin lotions, shampoos, perfumes, and toilet waters, which contain specially denatured alcohol, must

keep records on Forms 133 and 134 in the same manner as manufacturers of such articles. Persons who purchase such products in containers larger than one gallon for repackaging, bottling, or resale must keep a record on Form 134 of such transactions. (See section 211.266 for details of requirements and paragraph (b), above, for the commercial printing of the forms.)

(e) Retention of records. Records required to be maintained must be kept for a period of not less than three years after the date of the report covering the transaction or operation, and the assistant regional commissioner may require that they be kept for an additional period of not to exceed three years. On approval, photographic copies of records may be retained in lieu of the original records. (See section 211.274.)

Reports. (a) Bonded dealers. Form 1478 has been revised and no longer requires the reporting of transactions individually. You will be required to show only a summary of transactions, including the serial numbers of packages filled by you. Your assistant regional commissioner will send you a supply of the revised form for use after July 1, 1960.

(b) Users. Form 1482 has been revised. Receipts will not be reported individually. Those users who are authorized to withdraw not more than 660 gallons a year will submit annual reports. Those who withdraw more than 660 gallons will submit monthly reports unless specifically authorized by the assistant regional commissioner to submit annual reports. However, in either case, the assistant regional commissioner may at any time require the submission of monthly reports. Annual reports will be filed on a fiscal year basis, covering the period from July 1 of one year through June 30 of the following year. The assistant regional commissioner will send you a supply of the revised form for use after July 1, 1960.

Inquiries. Inquiries concerning this industry circular should refer to its number and should be addressed to your assistant regional commissioner (alcohol and tobacco tax).



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